



TOM REILLY
ATTORNEY GENERAL

THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE ATTORNEY GENERAL

200 PORTLAND STREET
BOSTON, MASSACHUSETTS 02114

(617) 727-2200
<http://www.ago.state.ma.us>

October 1, 2002

Sent via e-mail, hand-delivery, and/or U.S. Mail

Mary L. Cottrell, Secretary
Massachusetts Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Verizon's Alternative Regulation Plan, D.T.E. 01-31 (Phase II)

Dear Ms. Cottrell:

Enclosed for filing please find the Attorney General's First Set of Document and Information Requests to AT&T Communications of New England, AG-ATT-1-1 to 1-3, and a Certificate of Service.

Sincerely,

Karlen J. Reed
Assistant Attorney General
Utilities Division
200 Portland Street, 4th Floor
Boston, MA 02114
(617) 727-2200

KJR/kr

Enc.

cc: D.T.E. 01-31 (Phase II) Service List (w/enc.)

**THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

<hr/> Investigation by the Department of Telecommunications and Energy on) its own Motion into the Appropriate Regulatory Plan to succeed Price Cap) Regulation for Verizon New England, Inc. d/b/a Verizon Massachusetts') intrastate retail telecommunications services in the Commonwealth) of Massachusetts) <hr/>	D.T.E. 01-31 Phase II
--	--------------------------

**ATTORNEY GENERAL'S
FIRST SET OF DOCUMENT AND INFORMATION REQUESTS
TO AT&T COMMUNICATIONS OF NEW ENGLAND**

INSTRUCTIONS

1. These Document and Information Requests call for all information, including information contained in documents, which relates to the subject matter of the requests and which is known or available to AT&T Communications of New England ("AT&T" or "Company") or to any individual or entity sponsoring testimony or retained by the Company to provide information, advice, testimony or other services in connection with this proceeding.
2. Where a Request has a number of separate subdivisions or related parts or portions, a complete response is required to each such subdivision, part, or portion. Any objection to a Request should clearly indicate the subdivision, part, or portion of the Request to which it is directed.
3. If information requested is not available in the exact form requested, provide such information or documents as are available that best respond to the Request.
4. These requests are continuing in nature and require supplemental responses when further or different information with respect to the same is obtained.
5. Each response should be furnished on a separate page headed by the individual Request being answered. Individual responses of more than one page should be stapled or bound and each page consecutively numbered.

6. Each Document and Information Request to "Please provide all documents..." or similar phrases includes a request to "identify" all such documents. "Identify" means to state the nature of the document, the date on which it was prepared, the subject matter and the titles and the names and positions of each person who participated in the preparation of the document, the addressee and the custodian of the documents. To the extent that a document is self-identifying, it need not be separately identified.
7. For each document produced or identified in a response which is computer generated, state separately (a) what types of data, files, or tapes are included in the input and the source thereof, (b) the form of the data which constitutes machine input (e.g., punch cards, tapes), (c) a description of the recordation system employed (including descriptions, flow charts, etc.), and (d) the identity of the person who was in charge of the collection of input materials, the processing of input materials, the data bases utilized, and the programming to obtain the output.
8. If a Document and Information Request can be answered in whole or part by reference to the response to another Request served in this proceeding, it is sufficient to so indicate by specifying the other Request by participant and number, by specifying the parts of the other response which are responsive, and by specifying whether the response to the other Request is a full or partial response to the instant Request. If it constitutes a partial response, the balance of the instant Request must be answered.
9. If the Company cannot answer a Request in full, after exercising due diligence to secure the information necessary to do so, state the answer to the extent possible, state why the Company cannot answer the Request in full, and state what information or knowledge is in the Company's possession concerning the unanswered portions.
10. If, in answering any of these Document and Information requests, you feel that any Request or definition or instruction applicable thereto is ambiguous, set forth the language you feel is ambiguous and the interpretation you are using responding to the Request.
11. If a document requested is no longer in existence, identify the document, and describe in detail the reasons the document is unavailable.
12. Provide copies of all requested documents. A response which does not provide the Attorney General with the responsive documents, and requests the Attorney General to inspect documents at any location is not responsive.

13. If you refuse to respond to any Document and Information Request by reason of a claim of privilege, or for any other reason, state in writing the type of privilege claimed and the facts and circumstances you rely upon to support the claim of privilege or the reason for refusing to respond. With respect to requests for documents to which you refuse to respond, identify each such document.
14. Each request for information includes a request for all documentation which supports the response provided.
15. Provide three copies of each response.
16. Unless the Request specifically provides otherwise, the term "Company" refers to AT&T's intrastate operations and includes all witnesses, representatives, employees, and legal counsel.
17. Please furnish each response on a separate sheet of paper, beginning with a restatement of the question.
18. Please provide all responses to requests within 10 calendar days from receipt of request, as per the Hearing Officer's Ground Rules issued May 7, 2001.

**THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Investigation by the Department of Telecommunications and Energy on) its own Motion into the Appropriate Regulatory Plan to succeed Price Cap) Regulation for Verizon New England, Inc. d/b/a Verizon Massachusetts') intrastate retail telecommunications services in the Commonwealth) of Massachusetts)	D.T.E. 01-31 Phase II
---	--------------------------

**ATTORNEY GENERAL'S
FIRST SET OF DOCUMENT AND INFORMATION REQUESTS
TO AT&T COMMUNICATIONS OF NEW ENGLAND**

AG-ATT 1-1 Please refer to the Direct Testimony of John Mayo, page 12. You state: “While consumers of residential telephone service (or any product for that matter) would prefer low rates to high rates, the imposition of residually determined, artificially low rates actually are quite harmful to the goal of efficient, widespread provision of residential telephone services in Massachusetts.”

- a. Please summarize your understanding of how residential telephone service rates have been established in Massachusetts over the past 15 years.
- b. Is it your contention that the current residential telephone rates are artificially low? If so, for each rate that you believe is artificially low:
 - 1. Provide the cost data that you have reviewed that led you to conclude that the rate is artificially low.
 - 2. For each rate that you believe is artificially low, identify the price and marginal (or incremental, or some other measurement of economic) cost.
 - 3. Identify the efficient price level for each service and provide the supporting work papers and/or a narrative that explains how each efficient price was established.
 - 4. Please provide the elasticity of demand estimates that you have relied on to determine efficient prices. Include in the response the year(s) of the demand and pricing data that was analyzed by the econometrician to produce the elasticity of demand estimates, and explain the degree to which the data set used to produce the estimates includes usage and pricing information that is specific to Massachusetts.

- c. Please provide a quantitative analysis (*e.g.*, welfare loss analysis) that supports your assertion that the artificially low rates actually are quite harmful.

AG-ATT 1-2 Please refer to the Direct Testimony of John Mayo, page 13. You state: “Prices that do not – at a minimum -- recover the incremental cost of providing a service will simply fail to encourage any other parties to consider entry into the market.”

- a. Identify each residential service that you contend is priced below the incremental cost of service.
- b. For each service identified in the response, provide the supporting cost study.

AG-ATT 1-3 Please refer to the Direct Testimony of John Mayo, page 18. You state that “unless Verizon’s retail residential rates are permitted to reflect – minimally – the economic cost of providing basic residential service then new entry will not be forthcoming and competition will wither.”

- a. Define the term “economic cost” and explain how it should be calculated.
- b. Identify the services associated with the term “retail residential rates.”
- c. You have proposed that the Department consider raising residential rates by 10% per annum.
 - 1. Please provide AT&T’s estimate of the economic cost of residential services associated with the rates referred to by Dr. Mayo.
 - 2. Include in the response the work papers associated with the cost estimates and a narrative that explains how the values were derived.

**THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Investigation by the Department of Telecommunications and Energy on) its own Motion into the Appropriate Regulatory Plan to succeed Price Cap) Regulation for Verizon New England, Inc. d/b/a Verizon Massachusetts') intrastate retail telecommunications services in the Commonwealth) of Massachusetts)	D.T.E. 01-31 Phase II
---	--------------------------

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding by either hand delivery, mail, and/or e-mail.

Dated at Boston this 1st day of October, 2002.

Karlen J. Reed Assistant Attorney General Utilities Division 200 Portland Street, 4th Floor Boston, MA 02114 (617) 727-2200	
--	--